



Milk Pricing

NEWSLETTER

Dairy Marketing Branch, CDFA

March 2003

Commodity Prices Remain Sluggish . . . Class 1 Prices Fall

The minimum price of milk, established by the Department each month, is the price that dairy processors must pay for milk used to produce dairy products. National commodity prices, primarily butter, Cheddar cheese, and nonfat dry milk, are significant factors in determining the minimum milk price (*See national commodities prices chart on page 2*).

The national commodity prices for butter, nonfat dry milk, and Cheddar cheese continued to remain flat. Compared to March, all types of milk showed price decreases: whole milk decreased two and two tenths cents per gallon, reduced fat milk decreased two and eight tenths cents per gallon, lowfat milk decreased three and two tenths cents per gallon, and skim milk decreased two and eight tenths cents per gallon.

All commodity prices continue to hover around their federal support purchase price. Butter, Cheddar cheese, and nonfat dry milk production for 2002 surpassed previous year levels and inventories remain higher than last year levels. Favorable weather conditions in California this winter have dairy producers reporting increased milk production per cow, but the demand for dairy products remains low as the economy continues to be sluggish. Reports for January indicate that milk production was still at an increased level and production of the commodities remained at high levels.

The table below shows individual prices for the four types of fluid milk by container size and the price changes from the previous month. The prices listed represent the minimum price paid by processors for the milk only - no other processing costs are included.

Minimum Prices for the Four Types of Fluid Milk by Container Size for April 2003

| Northern California | Gallon | 1/2 Gallon | Quart | Pint | 1/3 Quart | 1/2 Pint |
|---------------------|---------|------------|---------|---------|-----------|----------|
| Whole Milk | \$1.001 | \$0.500 | \$0.250 | \$0.125 | \$0.083 | \$0.063 |
| Reduced Fat (2%) | \$0.932 | \$0.466 | \$0.233 | \$0.116 | \$0.078 | \$0.058 |
| Lowfat (1%) | \$0.894 | \$0.447 | \$0.223 | \$0.112 | \$0.074 | \$0.056 |
| Nonfat (Skim) | \$0.684 | \$0.342 | \$0.171 | \$0.085 | \$0.057 | \$0.043 |

| Southern California | Gallon | 1/2 Gallon | Quart | Pint | 1/3 Quart | 1/2 Pint |
|---------------------|---------|------------|---------|---------|-----------|----------|
| Whole Milk | \$1.024 | \$0.512 | \$0.256 | \$0.128 | \$0.085 | \$0.064 |
| Reduced Fat (2%) | \$0.955 | \$0.478 | \$0.239 | \$0.119 | \$0.080 | \$0.060 |
| Lowfat (1%) | \$0.917 | \$0.459 | \$0.229 | \$0.115 | \$0.076 | \$0.057 |
| Nonfat (Skim) | \$0.708 | \$0.354 | \$0.177 | \$0.088 | \$0.059 | \$0.044 |

Price Changes from the Previous Pricing Period

| | Gallon | 1/2 Gallon | Quart | Pint | 1/3 Quart | 1/2 Pint |
|------------------|----------|------------|----------|----------|-----------|----------|
| Whole Milk | \$0.022↓ | \$0.011↓ | \$0.006↓ | \$0.003↓ | \$0.002↓ | \$0.001↓ |
| Reduced Fat (2%) | \$0.028↓ | \$0.014↓ | \$0.007↓ | \$0.003↓ | \$0.002↓ | \$0.002↓ |
| Lowfat (1%) | \$0.032↓ | \$0.016↓ | \$0.008↓ | \$0.004↓ | \$0.003↓ | \$0.002↓ |
| Nonfat (Skim) | \$0.028↓ | \$0.014↓ | \$0.007↓ | \$0.004↓ | \$0.002↓ | \$0.002↓ |

California Department of Food and Agriculture (CDFA)

William (Bill) J. Lyons Jr., Secretary

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Minimum Prices for the Milk Component of Various Manufactured Dairy Products

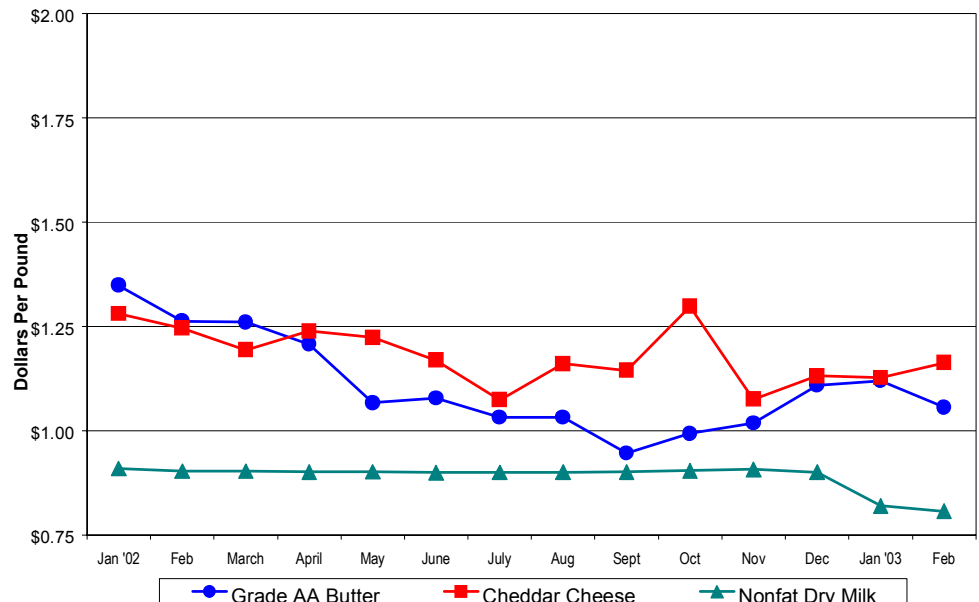
The minimum prices for the raw milk component used by processors in manufacturing dairy products are listed in the table to the right. No other costs incurred by the processor are included, such as:

- milk quality premiums,
- milk composition premiums,
- competitiveness for availability of milk premiums,
- transportation costs,
- plant processing costs,
- service charges
- marketing costs

| | Lowfat Yogurt (\$/quart) | Super- Premium Ice Cream (\$/ 1/2 gal) | Generic Ice Cream (\$/ 1/2 gal) | Butter (\$/lb) | Cheese (\$/lb) |
|------|--------------------------------|---|---------------------------------------|-------------------|-------------------|
| July | \$0.20 | \$1.16 | \$0.45 | \$0.88 | \$0.89 |
| Aug | \$0.20 | \$1.09 | \$0.43 | \$0.85 | \$0.97 |
| Sept | \$0.20 | \$1.09 | \$0.43 | \$0.81 | \$0.99 |
| Oct. | \$0.20 | \$1.05 | \$0.41 | \$0.88 | \$1.04 |
| Nov | \$0.20 | \$1.05 | \$0.41 | \$0.89 | \$0.90 |
| Dec | \$0.20 | \$1.09 | \$0.43 | \$0.97 | \$0.94 |
| Jan | \$0.20 | \$1.09 | \$0.43 | \$0.95 | \$0.96 |
| Feb | \$0.18 | \$1.12 | \$0.43 | \$0.90 | \$0.94 |
| Mar | \$0.18 | \$1.12 | \$0.43 | _____ | _____ |

National Commodity Prices for January 2002 - February 2003

Grade AA Butter, Block Cheddar Cheese, and Nonfat Dry Milk



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